

Questions Regarding Kentucky University Indexed Put Bond Pool Program

1. Once the Notes are tendered through the mandatory put in early September 2008, how will the Notes be reissued? Here the assumption is that all series of Notes will have the same mandatory put date.

All of the Notes will have the same mandatory put date. If the Notes are not refinanced prior to their 3-year mandatory put, there are several options that the Universities have:

- a) Most Likely Outcome – The Notes will be refinanced on a permanent basis through the issuance of long-term bonds by the state agency under their existing bond indentures
- b) The Indexed Put Bonds can be converted to a different interest rate mode under the existing Indenture or another Indenture.
- c) The Indexed Put Bonds will be remarketed and a new Applicable Spread will be set such that the bonds are sold at Par. The Bonds would have an annual mandatory put should they be remarketed in Indexed Put Bond mode after the initial 3-year mandatory put. Citigroup may or may not be the buyer at this point in time.

2. Since the program will have the ability to allow borrowers (State Universities and State Agencies) to draw on the program from the Effective Date of the Indexed Put Bonds to the Mandatory Put Date (September 2008), on 14 days notices, how will this process work? Will a new series of Notes be issued every time there is a draw?

Assume that there will be a separate series of notes for each state agency. Additional draws will increase the amount outstanding under the existing series. The agency will notify OFM. OFM will then notify Citigroup, the Trustee and Bond Counsel when an additional draw is required. Bond Counsel will prepare a certificate of award to evidence the additional amounts borrowed, the Trustee will authenticate the additional notes to Citigroup on the effective date.

3. At the issuance of Notes, will note proceeds be deposited with the Trustee in the borrower's project account (to be drawn as needed) or will they be forwarded to the borrower on the day of the issuance?

Note proceeds, with the exception of capitalized interest, will be deposited into the project construction account held by the Kentucky State Treasurer and invested by OFM. Capitalized interest not to exceed 12 months would be invested in a money market fund that complies with KRS 42.500. Capitalized interest for a period longer than 12 months would need to be deposited to the construction account held at the state.

4. Are money market mutual funds qualified as part of the investment parameters?

Note proceeds representing capitalized interest or debt service payments may be invested in a money market mutual fund so long as it complies with KRS 42.500 and has been approved by OFM.